

Commonwealth of Virginia



Urban Policy Report

Table of Contents

<u>Introduction</u>	<u>4</u>
<u>Rationale for a State Urban Policy</u>	<u>5</u>
<u>Demographic and Economic Conditions in Virginia's Core Urban Areas</u>	<u>8</u>
<u>Key Strategic Policy Issues</u>	<u>18</u>
<u>Goals, Actions, and Benchmarks</u>	<u>23</u>
<u>Executive Order</u>	<u>28</u>
<u>Urban Policy Task Force</u>	<u>29</u>
<u>Acknowledgements</u>	<u>30</u>



Introduction

On July 28, 2006, Governor Timothy M. Kaine issued Executive Order 32 creating an Urban Policy Task Force and charging it with developing a comprehensive state urban policy. The Task Force is to report to the Governor on the performance of state agencies in meeting benchmarks established as a part of the urban policy each year by December 1.

This report represents the first step in that process by outlining policy issues, actionable priorities and benchmarks. The Task Force will meet again each year to review state agency actions in meeting the benchmarks and reporting to the Governor on this progress.

Rationale for a State Urban Policy

Today Virginia bears little resemblance to the state that existed before World War II. Then, barely one-third of all Virginians lived in urban areas, which comprised a few core cities and towns surrounded by farmland and countryside. Most Virginians now live in vast metropolitan regions consisting of a central city, urbanized counties, surrounding suburbs, and newly developing areas along the fringe of the metropolis. In Virginia, as in much of the United States, this enormous geographic expansion of urban development into once rural territory is, in large part, a result of the powerful combination of market forces, technology, and public policies set at the federal, state and local levels. These trends have affected transportation, housing finance, education, and land use policies.

Urban Assets

About two-thirds of all Virginians live within the state's urbanized areas. Almost four-fifths of the state's population reside in localities within metropolitan areas.¹ These areas comprise the most powerful engine driving the state's new economy and contain the state's most important cultural assets. They also generate the jobs and the income that provide the greatest source of wealth for the state.

Virginia's urban communities contain enormous assets that must be cultivated, sustained, and protected. The central cities provide a psychological and geographic core for the region. Possessing a rich tapestry of historic buildings and cobblestone streets, those who live and visit there are reminded of long-past events, both heroic and tragic. The neighborhoods of these older cities provide a sense of place, and the downtowns bring together a diverse group of people

in unique and vibrant settings. The arts are centered in these cities. Musicians, painters, dramatists, and writers find sanctuary in them. Virginia cities include an array of important institutions—universities, research centers, hospitals, government offices, civic centers, religious institutions, financial centers, and law firms—which add to the wealth and vitality of the entire Commonwealth.

Because urban communities now comprise the largest proportion of Virginia's population, and because the cities, at their centers, are of considerable economic and cultural importance to the Commonwealth, their well-being directly affects the well-being of Virginia itself. Given the interdependency between the health of the local community and the welfare of the state, the Commonwealth must elevate these areas to a position of major priority, not only to preserve and sustain the quality of life in urban communities, but also to preserve and sustain the enormous economic and social progress that the state itself has experienced. The well-being of the Commonwealth is only as strong as that of its most distressed community.

¹According to the 2000 census definition, urbanized areas consist of a central place(s) and adjacent territory with a general population density of at least 1,000 people per square mile of land area that together have a minimum residential population of at least 50,000 people. The federal Office of Management and Budget defines geographical entities as Metropolitan Statistical Areas (MSA) based on the concept of a core area with a large population nucleus, plus adjacent communities having a high degree of economic and social integration with that core. An MSA must include a city with 50,000 or more inhabitants or the presence of an Urbanized Area (UA) and a total population of at least 100,000. The county or counties containing the largest city and surrounding densely settled territory are central counties of the MSA. Additional outlying counties qualify to be included in the MSA by meeting certain other criteria of metropolitan character, such as a specified minimum population density or percentage of the population that is urban.

Development

A commitment to Virginia's urban areas must recognize the unevenness of growth and land development around the Commonwealth. Parts of the urban community are overwhelmed by growth, and experience the pressures associated with an influx of population as a result. Other parts of the urban community are starved for development and have experienced economic decline and loss of population. The regions surrounding our urban areas also suffer when the character and natural beauty of the countryside, the very attribute that attracts thousands of Virginians to the edge of the metropolis, is changed as asphalt and concrete replace farmland and timberland, commuting times increase, and roadways become congested.

Today, our urban areas include older core cities, urbanized counties and consolidated cities. Each of these configurations experience challenges that are uniquely urban, but their underlying structures also mean that those urban experiences are not always the same. Virginia's core cities, the site of some of our earliest developments, struggle with declining populations and aging infrastructure. The urbanized counties of Northern Virginia enjoy the benefits of a strong economy and job growth, but housing costs escalating at unprecedented rates and burgeoning transportation needs limit these benefits. Consolidated jurisdictions, the result of combining cities and counties, have considerable development opportunities but must cope with growing demands for a range of human services.

In none of these cases can the urban situation be confined by the jurisdictional boundaries of any single locality, for these issues are regional in scope. Many

factors contribute to a concentration of poverty and service demand within urban areas, and their impacts expand into the surrounding jurisdictions. The city today is no longer confined to the independent municipality, and the urgency for addressing urban issues is one in which the entire Commonwealth must share.

Disparities

Growth and prosperity have been most evident in Virginia's urbanized areas, yet even within these areas there are great variations. This disparity is particularly evident between central cities and suburbs. Median household income in the cities is not only lower than that of the urban counties but it is lower than the statewide median. The disparity in income is even more striking when one examines minority groups. Black and Hispanic householders earn considerably less than white householders. For example, the 2000 census found that white households in Alexandria and Richmond have incomes that are more than double those of Black and Hispanic households. Other cities reflect similar disparities.

Larger proportions of city populations live in poverty than is the case in urbanizing counties. Nevertheless, the greatest proportion of the metropolitan poor still resides in the cities. The older suburbs, those built during and after World War II, are also experiencing significant increases in poverty.

Job creation is most apparent in the urbanizing counties with job growth in the cities lagging behind. Between 2000 and 2005 the City of Hampton's average employment declined by 2,856 and the City of Richmond's employment declined by 6,530. Many city residents cannot take advantage of the suburban job growth because they do not own an automobile and must rely on public transit. The

problem is that public transit is at best inadequate and often nonexistent in the outer regions of many urbanized areas. It is not surprising that unemployment is higher in the cities than in surrounding urbanizing counties. In 2005, for example, the Virginia Employment Commission's annualized unemployment rates for Norfolk, Portsmouth, Richmond and Roanoke ranged from 11/4 to almost 11/2 times that of the surrounding metro areas. Additionally, if the labor force is unskilled and separated geographically from prime industrial/commercial property, some industries may be dissuaded from locating in a metropolitan area. Likewise, businesses that might prefer a central location do not want their location decisions constrained by high crime and poverty.

Central cities are landlocked. The older cities are essentially built out. Because of the presence of federal, state, or other types of tax-exempt facilities, much of the land in some older cities is tax exempt. In the case of Portsmouth, over 50 percent of the fair market value of all real property is tax exempt. Moreover, land that could eventually accommodate new development is often old industrial property whose environmental hazards must first be addressed before new development can occur. When given the choice between central city brownfields or suburban greenfields, many businesses opt for the latter. As a consequence, cities are at a comparative disadvantage when trying to attract large-scale new development.

Declining tax base and rising social needs create considerable fiscal stress for cities. The differential in fiscal stress between cities and urbanizing counties is also very striking. As fiscal stress reports from the Commission of Local Government consistently reveal, the vast majority of the most fiscally stressed jurisdictions in the Commonwealth are cities. Counties with low fiscal stress, however, surround many of these cities. The jurisdictional disparities, unless addressed, may eventually affect the region as a whole.

Need for State Policy

To date, Virginia has not had a comprehensive, articulated urban policy. Some state actions have had positive impacts on urban needs and issues, while many others have had neutral or even negative effects. Virginia's status as a Dillon Rule state and the fact that land use and planning responsibilities reside at the local level have limited the role of the Commonwealth in this area. It is increasingly clear, however, that if our urban centers are to overcome the problems that affect their economic well being and the quality of life of their residents, they must have more assistance and active participation from the Commonwealth. The State provides the majority of funding for education and plays a key role in setting broad transportation policy. It also has significant policy and funding influence in public safety, health and human services and economic and community development. This makes it imperative that state actions in these areas support our urban areas' responses to uniquely urban issues.

Demographic and Economic Conditions in Virginia's Core Urban Areas

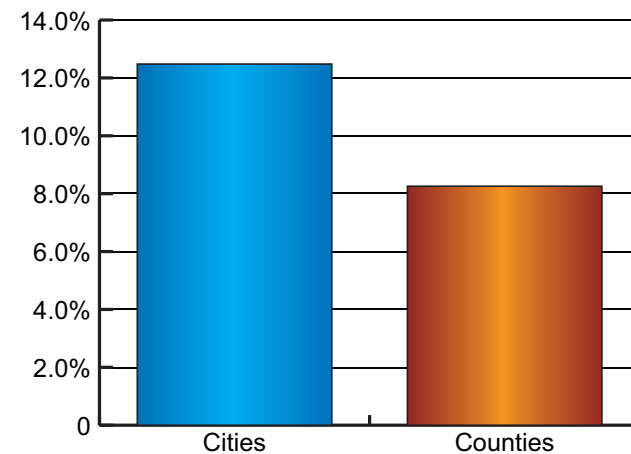
The fundamental economic and demographic data for Virginia's cities depicts a set of localities with higher poverty levels and concentrations of low-income students, lower household median incomes, slower job and income growth, and a greater need for affordable housing than surrounding localities. With these characteristics, it is not surprising that crime rates are higher and educational performance lower in cities than in surrounding localities.

Poverty and Social Needs

Virginia's urban areas, including their core cities and older urbanized areas of adjacent localities, have become the primary places where affordable housing, health and welfare services, and public transportation converge to meet the needs of lower income families, immigrants, and the elderly and disadvantaged. However, this role requires more services and local expenditures from a weaker tax base than surrounding suburbs. In addition, core cities also have a historical role as cultural and job centers. Cities must maintain complex infrastructure and provide attractive public amenities, necessitating even higher levels of expenditures beyond the specific needs of their residents. Because the state focuses primarily on providing school aid, cities must tax their residents at a higher rate to provide greater law enforcement, health and welfare services, and public works generally not supported by the state.

Figure 1

Poverty Rates are Higher in Virginia's Cities



Source: 2003 U.S. Census Bureau estimates
- <http://www.census.gov/cgi-bin/saipel/saipel.cgi>

As shown in Figure 1, poverty rates are higher in cities than counties in Virginia. Poverty rates are even higher in the traditional core cities of Virginia, ranging from 8.8 percent in Alexandria to over 20 percent in Richmond. The contrast between core cities and their adjacent metropolitan counties is especially notable. For example, the City of Richmond's poverty rate was three times higher than the rate in adjoining Chesterfield County.

As shown in Figure 2, higher levels of urban poverty also translate to high concentrations of children in poverty that attend urban public schools. Often forty percent or more of urban public school children will qualify for federal free lunches. Nationwide research indicates that when concentrations of low-income students exceed thirty percent in a school, the teaching environment becomes much more difficult. As was true of poverty populations in general, the proportion of K-12 students receiving reduced/free lunches in the core cities far exceeded those of corresponding metropolitan counties.

The case of the Roanoke City and County provides a clear example. While just over 11 percent of the county's K-12 students received the free lunch, the comparable statistic for the city—at 54.1 percent--was nearly five times greater.

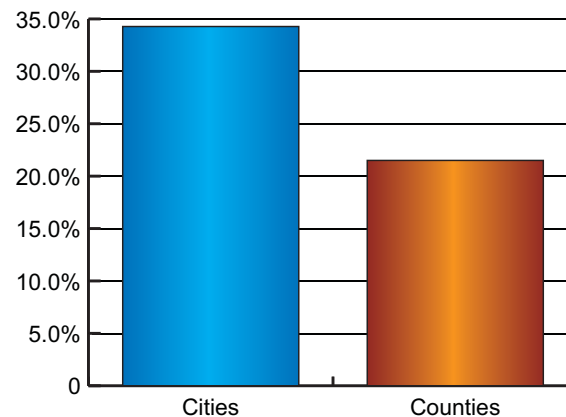
The percentage of these students in City of Richmond public schools was over three and one-half times that of nearby Chesterfield County. Similar pairings can be found throughout the Commonwealth.

Urban areas of Northern Virginia tend to have a different problem facing their K-12 public education system, but it is one that may eventually be replicated in some other core cities. Northern Virginia, as defined by Planning District 8², contains three-quarters of all students within the state classified as using English as a second language (ESL). Northern Virginia has become a prime location for immigrant populations. Although it accounts for nearly twenty-seven percent of the state's total K-12 public school population, Northern Virginia has 75 percent of all the state's ESL students or sixteen percent of Northern Virginia's student population. Moving closer to the core Northern Virginia urban area, the

ESL rate increases. Arlington has the highest ESL student population, about 30 percent. The rest of the state (with a few notable exceptions, particularly Harrisonburg) generally has less than three percent of their student population classified as ESL.

Figure 2

Percentage of Free Lunch K-12 Students Are Higher in Cities October 2005



Source: DOE October 2005 claim month data

²Comprising Arlington, Fairfax, Loudoun and Prince William Counties and the Cities of Alexandria, Fairfax, Falls Church, Manassas and Manassas Park.

Urban Policy Report

Table 1

Low Income Housing Tax Credit Program Units from 1994 Through 2006 Sorted by Locality Type

Locality Type	Percentage of 2005 State Population	Units	Percentage of 2005 State Units	Unit/Population Ratio
Rural	12.2%	3,051	10.6%	86.8%
	13.4%	2,541	8.8%	66.0%
Suburban	18.5%	4,788	16.7%	89.8%
Small City	3.7%	1,789	6.2%	169.4%
Large City*	25.2%	11,646	40.5%	161.0%
Northern VA	27.0%	4,932	17.2%	63.5%
Totals	100.0%	28,747	100.0%	100.0%

With concentrations of low and moderate income populations located in core urban areas, it is not surprising that the burden of providing affordable housing is prevalent in core urban localities. Cities had a much higher proportion of low-income housing units qualifying for the federal Low-Income Housing Tax Credit (LIHTC) program over the last 12 years. Large cities outside of Northern Virginia comprise twenty-five percent of the state population, but have received over forty percent of the housing units that qualified over this time period for the LIHTC program.

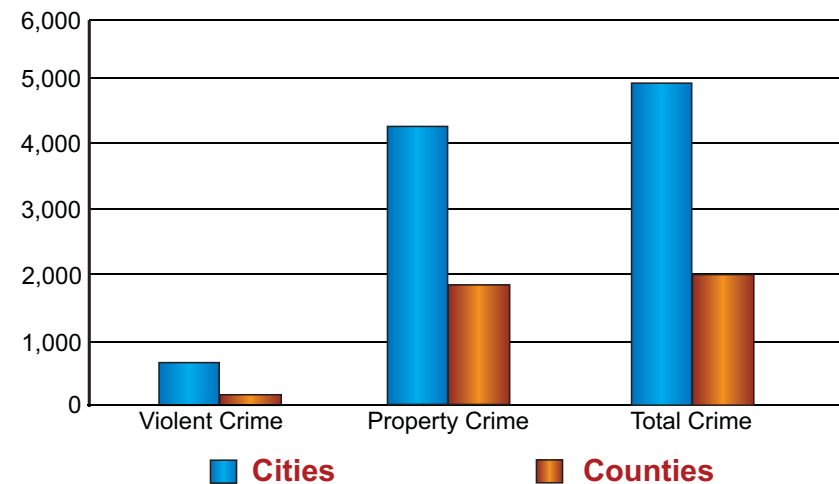
* Large cities are those with populations of 30,000 and above

Source: Virginia Housing Development Authority

Because of the socio-economic conditions prevailing in most urban localities, it is not surprising that crime rates are significantly higher in cities and core urban areas. As seen in Figure 3, the total crime rate in cities is more than double the rate for counties. In some instances, total crime rates in core cities can be as much as three to five times higher than surrounding suburban localities.

Figure 3

Crime Rates Are Much Higher in Cities (Rate per 100,000 Population in 2005)



Source: Dept. of Criminal Justice Services

Table 2

Selected Virginia Cities Rank

	1997-2004 Employment Growth	1997-2002 VAGI Growth	2004 Median Household Income
Alexandria	57	13	14
Bristol City	92	108	123
Charlottesville	106	29	103
Chesapeake	19	37	24
Danville	104	130	127
Franklin City	99	133	96
Hampton	90	74	54
Harrisonburg	41	86	110
Lynchburg	81	125	87
Newport News	72	81	64
Norfolk	97	88	95
Petersburg	84	118	116
Portsmouth	60	87	79
Richmond City	120	55	100
Roanoke City	96	103	104
Salem	116	112	56
Virginia Beach	46	64	29
Winchester	64	25	75

There has also been a significant economic divergence in the last few decades between core cities and surrounding suburbs within the Commonwealth. Most new job creation and income increases are occurring in Virginia's suburban and suburbanizing localities, while the central cities are lagging behind in growth. Table 2 illustrates this point by presenting selected locality rankings in employment and Virginia adjusted Gross Income (VAGI) growth since 1997, and the 2004 level of household median income, compared to all 134 Virginia localities. Virginia's traditional core cities generally rank in the lower half of localities in these economic measures and often near the very bottom of locality rankings in Virginia.

In summary, the demographic and economic data indicates that core urban areas generally have significantly higher levels of poverty and much higher levels of public school students who receive federal free lunch benefits than in surrounding jurisdictions. Northern Virginia urban areas have the additional challenge of coping with large numbers of students who use English as a second language. Higher levels of poverty have created the need for more affordable housing opportunities in Virginia's urban areas. However, efforts to meet this demand may help perpetuate the cycle of concentrating poverty in urban cores. Not surprisingly, the socioeconomic conditions in cities correspond with much higher crime rates and lower educational performance in cities than in surrounding counties.

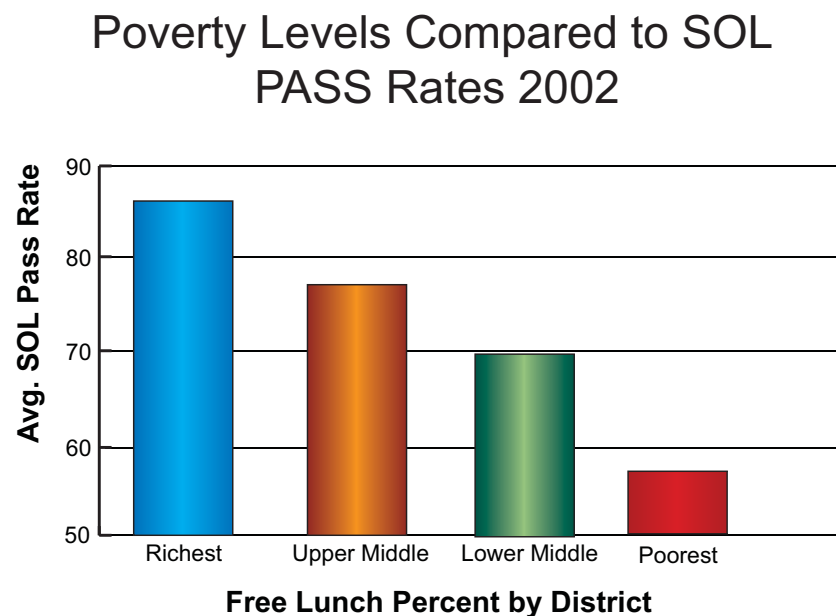
Source: Standard & Poor's (www.schoolmatters.com)

Sources: Fiscal Analytics analysis of data from the VA Employment Comm., VA Tax Dept., Standard & Poor's - www.schoolmatters.com

Impacts of Urban Demographics

Nationwide research and recent analysis by the Virginia General Assembly's Joint Legislative Audit and Review Commission (JLARC) confirm that a student's socio-economic status is the single largest indicator of a student's success or failure on the state Standards of Learning tests (SOLs).³ Given the high percentage of free lunch students in Virginia's cities, it is no surprise that urban students do not perform as well on statewide standardized tests as those school districts with lower concentrations of free lunch students. Figure 4 compares the SOL pass rates in 2002 for the school districts with the fewest numbers of free lunch students (Richest) to the school districts with the highest percentage of free lunch students (Poorest). It is clear that the poorest school district students generally perform the worst on the SOLs.

Figure 4



Source: Fiscal Analytics analysis of DOE data

³ Review of Factors and Practices Associated with School Performance in Virginia, JLARC, December 8, 2003.

Table 3

Selected School District 2005 SOL Proficiency Rate

Locality	SOL Reading %	SOL Math %	RaMP % ⁴
Petersburg	56.1%	53.4%	54.5%
Charlottesville	67.9%	66.0%	66.7%
Roanoke City	67.6%	66.9%	67.2%
Martinsville	66.7%	71.3%	69.4%
Portsmouth	75.2%	75.9%	74.4%
Alexandria	73.3%	76.6%	75.2%
Newport News	76.0%	76.5%	76.3%
Richmond City	75.2%	77.4%	76.4%
Norfolk	77.1%	80.3%	78.9%
Winchester	74.9%	82.6%	79.6%
Hampton	77.5%	82.2%	80.2%
Bedford Co.	79.8%	82.1%	81.2%
Stafford Co.	83.0%	85.0%	84.2%
Albemarle Co.	85.0%	86.0%	85.6%
Chesterfield Co.	86.5%	86.2%	86.3%
Virginia Beach	85.6%	87.8%	86.9%
Henrico Co.	85.8%	88.7%	87.5%
Fairfax Co.	86.3%	88.5%	87.6%
Hanover Co.	86.3%	88.5%	87.6%
Loudoun Co.	86.5%	88.4%	87.6%
Roanoke Co.	85.7%	90.0%	88.3%

Table 3 presents a selected list of 2005 SOL proficiency levels in localities for both reading and math as compiled in *SchoolMatters* by Standard & Poor's for grades 3, 5, 8, and high school. Core urban localities have lower SOL proficiency rates than suburban localities.

Urban localities face a number of fiscal challenges. These localities have higher levels of harder-to-educate students and higher law enforcement and health and welfare needs. State funding formulas do not always reflect these unique situations. About three-quarters of all state aid to localities (not including the car tax reimbursement) are for public education. The Standards of Quality (SOQ) costs are calculated on a per-pupil basis and urban localities have been steadily losing students. In addition, the state calculated SOQ costs are generally not adjusted for the difficulty of teaching concentrations of at-risk students. Nationwide research indicates that it takes at least fifty percent more funding to educate an at-risk student.

The state's measure of the local ability-to-pay for the SOQ costs is calculated through the local composite index (LCI).⁵ The state distributes over 75 percent of its funds to localities based on ability to pay.

⁴Reading and Math Proficiency (RaMP)

⁵The composite index determines a locality's ability to pay by comparing the locality's real property value, adjusted gross income, and taxable retail sales levels to the statewide levels for these items on a per-student and per-capita basis.

Table 4

Local Ability-to-Pay (LCI) Often Does Not Match Median Incomes Comparison of LCIs and 2003 Household Median Incomes

Core City (LCI)	Surrounding Localities (LCI)		
Charlottesville (.6061) \$31,363 (median income)	Albemarle (.6095) \$53,104 (median income)		
Danville (.2655) \$27,082	Pittsylvania (.2573) \$36,029		
Fredericksburg (.7538) \$36,636	Spotsylvania (.3455) \$65,411	Stafford (.3503) \$75,556	
Harrisonburg (.4361) \$31,057	Rockingham (.3299) \$43,727		
Lynchburg (.3500) \$31,973	Amherst (.2870) \$37,549	Bedford Co. (.3632) \$47,263	Campbell (.2612) \$38,606
Norfolk (.2693) \$32,026	Chesapeake (.3186) \$54,067	VA Beach (.3492) \$50,361	
Richmond City (.4329) \$31,730	Chesterfield Co. (.3616) \$61,907	Henrico (.4604) \$51,201	Hanover (.4352) \$65,423
Roanoke City (.3763) \$31,523	Roanoke County (.3737) \$50,351		
Staunton (0.5602) \$33,921	Augusta (0.3320) \$45,434		
Winchester (.5602) \$37,276	Frederick (.3925) \$52,722	Warren (.3956) \$46,765	Clarke (.5580) \$53,777

Table 4 compares the LCI and median income levels for many of Virginia's urban core cities to their surrounding localities. In many cities the LCI is either about the same or higher than that of surrounding localities, which would seem to indicate a similar or even greater ability to support all local expenditures. A comparison of median income between cities and surrounding localities does not appear to bear this out. Cities' residents have lower median income levels than those of surrounding localities. This potentially indicates that the LCI is not providing a sufficiently accurate picture of ability to pay given the weaker revenue bases and greater expenditure needs in urban localities that are not reflected in the LCI.

2003 U.S. Census Bureau median income estimates:
<http://www.census.gov/cgi-bin/saige/saige.cgi#SA91>

Figure 5 shows that higher levels of urban poverty and infrastructure needs require cities to expend considerably more per capita for service delivery than surrounding counties. While cities spend about the same as counties on a resident per capita basis for education, cities must spend much more on public safety and other services such as health and welfare and public works. However, this is not offset by significant amounts of additional state aid to cities for the extra services required to care for the poor and disadvantaged residing in the core urban areas. Three quarters of all state aid to localities (not including car tax reimbursements) is for public education (Figure 6). There is relatively little state aid for other areas of locality budgets. Many large cities spend as much of their net local revenues on law enforcement needs as they do on public education.

Figure 5

FY 2005 Per Capita Total Spending
by Cities and Counties

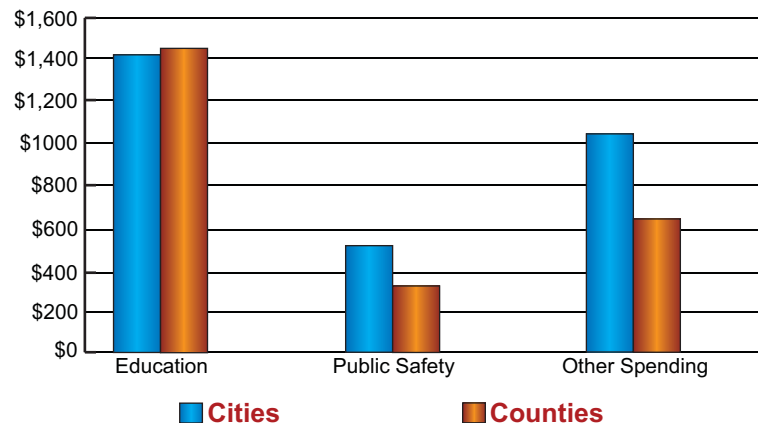
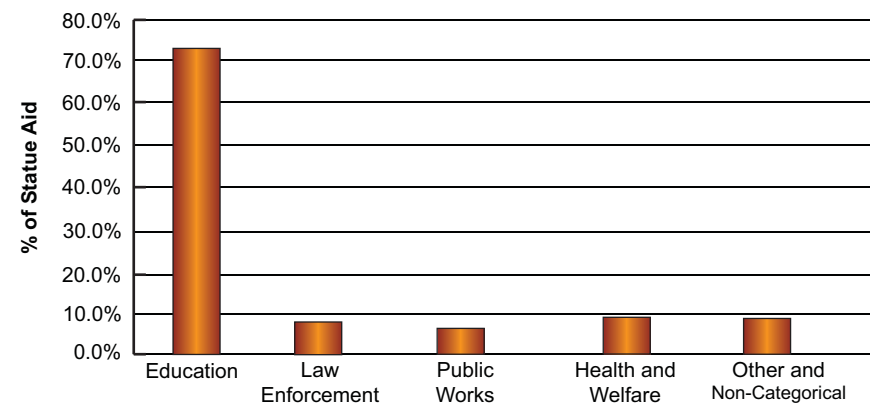


Figure 6

FY 2005 State Aid to Localities



Source: Auditor of Public Accounts FY 2005 Comparative Report

The end result is that cities must take a much larger proportion of their residents' income for local revenue purposes than surrounding counties to provide needed services (Figure 7). On average, cities require a fifty percent higher proportion of tax revenue to resident income than surrounding counties. This is why cities have uniformly higher real estate tax rates than surrounding jurisdictions (Figure 8).

Figure 7

Local Revenues as a Percent of Virginia Adjusted Gross Income

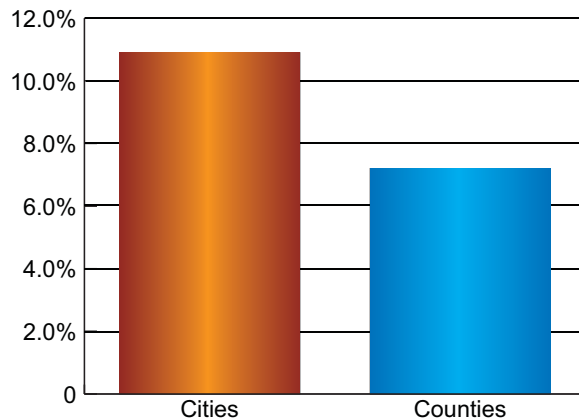
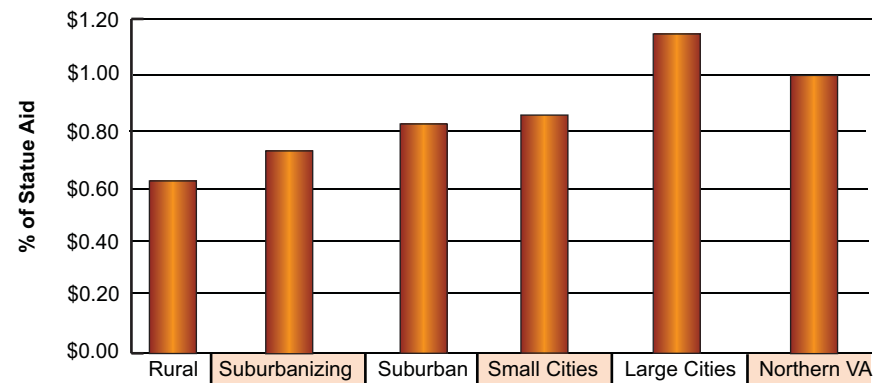


Figure 8

Average 2005 Real Property Tax Rate



Key Strategic Policy Issues

Concentrations of Poverty

Concentrations of poverty in cities result in higher demands for health and human services, criminal justice and education interventions than in surrounding suburban areas. Such concentrations, coupled with limited revenue generation capabilities, have brought about a service delivery crisis for Virginia's most needy citizens. People whose lives could be changed by early social, medical and educational services often go without assistance or struggle with inadequate services due to the limited resources of many urban communities.

The concentration of poverty in core cities and adjacent older urbanized areas is often beyond the control of these communities. It exists because cities are where affordable housing is clustered, where public transit permits access to essential goods and services, and where public hospitals provide access to health care. The location of new employment opportunities on the periphery of the metropolitan regions also exacerbates this condition, as do development patterns in abutting jurisdictions where land use and transportation policies often increase the cost of housing.

The past several decades have seen pervasive and significant population declines in central cities and rapid growth in surrounding suburban and urbanizing counties. These two phenomena are intrinsically linked. As more affluent residents have moved to surrounding counties to escape from high property tax rates, struggling school systems, high crime rates and deteriorating infrastructure, cities are left with fewer and poorer residents. Cities must simultaneously contend with a

disproportionate share of high-need populations and limited resource capacity to meet those needs. Urbanizing counties have had population growth that strains even their relative affluence in order to meet the demands for expanding schools, services and infrastructure.

Virginia cities have struggled for decades with high poverty rates and unemployment, declining population, tax bases and general disinvestment. Older urbanized counties are also experiencing similar disinvestment, structural decay and economic stagnation in their inner ring neighborhoods. These problems call for new solutions and different approaches. Unfortunately, Virginia's unique local government structure often limits the ability of communities to respond effectively. While these are long-standing features of Virginia government and are unlikely to be revised in the near future, actions are needed to encourage and enable a broader range of actions from cities and counties individually as well as on a regional, inter-jurisdictional basis.

Education and Workforce

Education in urban areas is hampered by aging physical infrastructure, large numbers of children not prepared to learn, difficulty in attracting and retaining quality teachers and relatively higher levels of need for early intervention and remediation. Earlier interventions are essential in this area. There is substantial evidence that effective pre-school education and intervention programs like Head Start and Healthy Families can have a significant impact. If urban localities continue to harbor concentrations of low-income families then it is essential that

the state provide higher levels of resources in order to help these children with the educational success they need to function in an increasingly competitive world. Existing educational paradigms do not do enough to overcome the disadvantages associated with living in poverty. Greater access to early childhood education, school readiness, enhanced early reading and increased rigor in middle and high school curricula are needed to help urban students perform at comparable levels to suburban students.

Workforce development must go hand-in hand with education as a vital component of life-long learning. Virginia's workforce services need to focus more on providing skills needed for workers to earn enough to be self-sufficient. Additional focus needs to be given to non-English speaking workers. New Virginia residents coming from outside the United States make up 10 percent of the population. It is essential that these new residents receive the workforce training and language skills needed to become productive citizens and fully participate in the mainstream economy. Financial literacy is also important – for new residents and for those that have not heretofore participated in structured financial transactions such as purchasing a home or establishing credit.

Public Safety

Public safety is fundamental to the vitality of any neighborhood, community or region and is essential for urban revitalization. Crime and the perception of crime affect not only the locality where it occurs, but it can affect the public image of an entire region. Criminal activity does not respect jurisdictional boundaries and spreads into surrounding localities over time. Helping communities with higher crime rates reduce crime is a regional and state concern.

The financial burden of public safety costs associated with controlling crime is high. In FY 2005, Virginia's largest central cities spent 17.5 percent of their funds for public safety, while the statewide average was 15.1 percent. The need to direct limited resources to public safety impacts the level of funding available to address other critical needs. Our largest cities spent only 47.8 percent of their budget on education compared with 54.8 percent statewide. Increased state assistance is vital to ensure that adequate resources are distributed to areas with high public safety demands in order to bring crime rates in core cities in line with those in the rest of the state.

Innovations are needed to help urban areas address their public safety concerns. Early interventions for juvenile offenders reduce recidivism saving public funds and human lives. Alternative sentencing for non-violent offenders can reduce costs without endangering the public and helps keep these people working and supporting their families.

Disparities

State funding policies and procedures can perpetuate disparities between urban cities and surrounding jurisdictions. Funding disparities are perceived in a variety of state allocation formulas ranging from public safety funding to Standards of Quality (SOQ) education funding. State urban policy needs to closely examine the role that state decisions and actions play in limiting distressed cities' access to state financial resources across a broad spectrum of funding mechanisms.

Virginia's urban centers lag behind other jurisdictions in almost all measures of economic strength. If the patterns of sluggish economic activity, disinvestment

and higher unemployment are to change, the Commonwealth needs to become a more pro-active partner in stimulating economic activity and wealth building in fiscally stressed, high-poverty urban centers. Central cities face many barriers to economic development. Older cities are largely built out and cannot expand their boundaries. They lack larger undeveloped tracts of land for new employment generators. Their existing sites may have brownfield issues – some real and some perceived. Historically, much new economic development activity follows the availability of greenfield sites that do not have these perceived problems and tend to be located away from central cities.

Core cities' populations have lower educational attainment than that of the state as a whole. This combined with high concentrations of poverty raise businesses' concerns about the ready availability of a trained workforce. The state may need to provide incentives to help level the economic development playing field and overcome these obstacles.

Transportation

The transportation needs of urban areas are unique and require new approaches. Structurally, state transportation funding policies favor highway solutions over transit options. Most recently, Governor Warner's Commission on Transportation in Urbanized Areas noted this funding disparity in its Final Report by the Commission on Transportation in Urbanized Areas (2005):

Currently, a disparity exists in funding responsibilities between transit and highways. To a large extent, the state takes ownership of the roadway system: the Commonwealth owns the entire interstate system and roads within all but

two counties outright, and the Commonwealth assumes financial responsibility for roads within cities and the remaining two counties. Transit systems, however, are not owned by the Commonwealth but rather are handled by the locality, with the state making some contribution. This disparity in ownership means that the percentage of costs a locality pays for a transit project is different than the percentage of costs a locality pays for a highway project. These different percentages, in turn, cause significant attitudinal differences in how localities consider highway versus transit projects. For projects within the state-maintained roadway system, counties provide virtually none of the capital or operating costs, and cities pay roughly 2% of these costs—except when the locality voluntarily makes contributions for specific purposes. However, a locality is responsible for a significant portion of transit costs: in FY 2006, approximately 20% of all public transportation revenues came from localities (VDOT, 2005)—a figure that may have been lower than the norm because of a one-time appropriation for transit that year. In FY 2005, localities paid 27% of transit operating costs and 62% of the non-federal shares of transit capital costs. This disparity in funding orients local governments toward highway projects since transit projects require a far greater investment of local funds.

The disproportionate local cost for transit projects compared to roads is a major disincentive to change. The lack of regional transit systems perpetuates the concentration of poverty within urban areas. Lacking the ability to afford a vehicle, these urban residents cannot consider living outside the city nor can they access the employment centers that increasingly locate in suburban areas. Virginia's transportation patterns effectively lock low-income citizens into a life of substandard housing and difficulty in finding gainful unemployment.

Transportation assets, along with other urban infrastructure, are aging and extremely expensive to replace. Local revenue options are limited and hamper cities' from responding effectively. Transportation is the third largest state expenditure after education and Medicaid, and is the largest state infrastructure program. Over the past fifty years, highway-dominated transportation policies in Virginia, as elsewhere across the nation, fueled low-density automobile-oriented development at the ever expanding regional fringe.

The continued focus on the automobile as the primary transportation mechanism has another consequence: poor air quality in urban areas. Most of Virginia's non-attainment areas are urban areas. Continued high levels of emissions may have economic consequences through higher levels of regulation and health costs, making urban areas less attractive locations to live and work.

Affordable Housing and Infrastructure

Quality affordable housing is needed in urban areas, but concentrations of subsidized housing perpetuate historic concentrations of poverty. Revitalization can result in gentrification and the loss of affordable housing units--exacerbating the problems that low- and moderate-income households have in locating housing. Subsidized housing development occurs predominantly in urban areas. Existing approaches to development and transportation re-enforces this pattern. Local zoning ordinances in surrounding localities often call for very large lot sizes and provide limited opportunity for modest multifamily development. Coupled with the lack of public transportation in suburban communities this makes it difficult, if not a practical impossibility, for low-income families to live anywhere but core urban areas. Affordable housing distributed throughout

regions is essential. Current development patterns so severely constrain low-income families' residential choices that urban areas are essentially becoming concentrations of poverty with the poorest being closest to the urban core. The Commonwealth's needs a strong state policy to promote more mixed-income development and a better regional allocation of affordable housing.

Aging urban infrastructure also poses challenges. Antiquated water and sewer systems are expensive to replace, but their continued use perpetuates significant inefficiencies while risking service disruptions and environmental degradation. Recent experiences in the City of Richmond portend similar expensive infrastructure failures in other urban areas. As decades old storm drainage lines collapsed there in the fall of 2006, it became quite clear that these issues truly take on regional significance. For the outcomes of these failures end up in Virginia's streams, rivers, and fragile ecosystems, and ultimately in the Chesapeake Bay.

Regionalism

Regional strategies are essential to the survival of urban areas. The existing concentrations of needs within cities cannot be addressed by single jurisdictions acting alone. Meaningful regional efforts are needed for cities and urban communities to survive. Virginia's local government structure of independent cities and separate counties has limited the development of effective regional strategies for dealing with urban issues. Absent incentives for regional solutions, urban areas have shouldered higher costs resulting from concentrations of poverty and limited development opportunities.

Virginia communities often lack the tools necessary to pursue effective regional solutions. There are limited examples of regional revenue sharing arrangements. The inability to share the benefits of growth creates potential winners and losers among communities seeking to recruit larger economic development prospects. There are also limited incentives for communities to share the burden of higher cost infrastructure and facilities. While regional jail construction and operation is now the norm in Virginia as a result of financial incentives from the state, similar incentives do not exist in other areas. This same type of incentive may be needed in other service arenas to induce Virginia's localities to find more effective regional solutions.

There is also an opportunity to address the needs of urbanized areas through better regional coordination of land use and transportation. If the existing growth that is straining at the boundaries and fiscal resources of urban counties could be channeled into redevelopment of the counties' inner ring suburbs and the central cities' existing neighborhoods and commercial districts, the interrelated problems of both ends of the urban spectrum could be reduced.

Limitations on inter-jurisdictional responses to these problems leave both cities and urban counties with incomplete options to address these issues. Local government structures that rigidly divide cities from counties constrain the possibilities for regional solutions to problems that could be better addressed by joint actions. The state could help facilitate inter-jurisdictional approaches to the range of urban issues by offering a broader range of local government tools, and by providing meaningful incentives to localities that join forces on regional solutions to these problems.

GOAL 1

Promote greater economic integration in urban jurisdictions and the surrounding regions.

Our urban areas, especially independent cities, include higher levels of people in poverty than non-urban areas. Many factors contribute to this concentration of poverty, including access to public transportation, the clustering of various forms of subsidized housing, and the lack of comprehensive health and human services. Increasingly, new and higher paying employment opportunities tend to occur outside the urban areas. These circumstances tend to reinforce the concentration of lower income persons in urban areas and become self-perpetuating. In order to help break the cycle of concentrating poverty in urban areas, changes are needed in how the Commonwealth participates in human services, affordable housing and economic development. The provision of human services is especially critical because these efforts can be very effective in breaking the poverty cycle for families but are very expensive for fiscally stressed localities to provide. Approaching the Commonwealth's role in these key areas differently will help promote more economically integrated communities.

Actions

- Target expanded access to Smart Beginnings to urban areas to promote the importance of early child and family intervention.
- Target expanded access to Comprehensive Health Investment Program (CHIP) and Healthy Families to urban areas to provide for important early interventions for children and families.
- Increase access to health services and state-supported insurance programs to ensure adequate health care for at-risk children and families.
- Initiate a comprehensive review of the human resource needs and costs in urban jurisdictions that will result in recommendations to address any disproportionate costs associated with higher levels of needs as

may be identified.

- Focus state economic development activities and incentives on areas of greatest need, including urban cores to help reduce the competitive disadvantage such areas face in attracting new jobs and investment.
- Provide incentives and mandates to encourage the development of affordable housing outside of core urban areas.
- Increase the effectiveness and regional integration of transit systems by increasing the state's share of capital and operating funding.

Benchmarks

- Reduce poverty levels within urban areas by two percent within the next five years.
- Increase the percentage of children and their families receiving early intervention services by 12 percent by 2010.
- Reduce the infant mortality rate by five percent within the next four years.
- Increase the use of appropriate care by Medicaid and FAMIS enrolled children by 10 percent by 2010.
- Increase the level of job creation and private investment in core urban areas by 5 percent by 2010.

GOAL 2

Improve the educational attainment and workforce readiness of urban populations.

Improved education is the foundation for a brighter urban future. The Commonwealth needs to provide targeted assistance to school systems that struggle with high concentrations of low income students and low educational performance. Poverty is strongly correlated with poor educational performance which in turn results in lower incomes in the workplace. In order to break this cycle new levels of intervention are needed.

Actions

- Target implementation of the “Start Strong” initiative in areas with concentrations of high-risk children.
- Significantly increase the “at-risk student” add-on funding for school districts with high concentrations of free lunch students.
- Improve urban educational attainment by targeting efforts to increase high school graduation rates and GED achievement.
- Provide higher levels of mental health services for schools with high concentrations of free/reduced lunch students.
- Provide financial incentives to attract and retain quality teachers to work at high-risk urban schools.
- Improve workforce skills in urban areas by targeting vocational credential efforts to high school students.
- Assist low-income Virginians obtain employment through high quality workforce services to Temporary Assistance to Needy Families (TANF) participants.
- Provide targeted workforce services to residents with limited English language proficiency.

Benchmarks

- Increase the proportion of children reading proficiently by third grade to 90 percent by 2010.
- Increase the number of industry certifications, state licenses and successful National Occupational Competency Testing Institute (NOCTI) assessments earned by high school students by 20 percent by 2010.
- Increase the percentage of Temporary Assistance to Needy Families (TANF) participants employed after program exit by seven percent by 2010.
- Increase the high school graduation rate to 80 percent by 2010.

GOAL 3

Strengthen the economic competitiveness of urban jurisdictions and the surrounding regions.

Healthy urban areas are essential to Virginia's overall economic vitality. Economic disparities between urban areas and surrounding localities ultimately weaken the entire state's economic competitiveness. Jurisdictional boundaries mean very little to businesses operating in a global economy. The conditions of urban jurisdictions impact the surrounding localities; they share a common economic future. Greater opportunities for regional action are needed so that jurisdictions can work together effectively to enhance their shared economic competitiveness.

Actions

- Re-fund the Regional Competitiveness Program to ensure a platform for on-going regional efforts.
- Remove barriers to revenue sharing among localities to encourage the joint regional development of infrastructure, sites and facilities and the sharing of resulting increased revenues across political boundaries.
- Provide incentives in the allocation of state funding formulas to encourage regional service provision.
- Provide meaningful incentives to areas that address economic development needs and issues on a regional, rather than a local, basis.

Benchmarks

- Increase the level of revenue sharing agreements involving urban localities by 10 percent by 2010.

GOAL 4

Ensure a high quality of life in urban areas.

The vitality of the Commonwealth's urban areas is dependent on the availability of a range of housing options in a setting where residents and businesses feel safe and secure. Some of Virginia's urban jurisdictions are struggling with concentrations of subsidized housing. In these areas, regionalizing affordable housing would help reduce this concentration and provide for a wider range of housing options in surrounding jurisdictions. Other urban areas are experiencing rapidly increasing housing costs where teachers, police officers and firefighters are being priced out of living in the communities that they serve. Greater levels of affordable housing are needed in such areas. Urban jurisdictions are also negatively affected by both the reality and perception of higher rates of crime. These conditions call for additional intervention from the Commonwealth so that urban areas can remain attractive living environments.

Actions

- Create a state housing trust fund to support the development and retention of affordable housing.
- Provide incentives for workforce housing so that workers can afford to live in the communities in which they work.
- Fund Virginia's existing Housing Revitalization Zone Program and target implementation to urban areas to support housing development and focused revitalization activities.
- Use existing state housing resources to promote mixed income housing development in urban areas.
- Implement the recommendations of the Virginia Prisoner Re-entry Policy Academy to help reduce recidivism.
- Fully implement the 'Preventing Gangs in Virginia' framework.

- Target implementation of "Prevention Comes First" to urban areas to reduce juvenile recidivism.
- Target supplemental financial support for crime prevention and reduction activities to localities experiencing high crime rates.

Benchmarks

- Reduce the percentage of Virginia's population paying more than 30 percent for housing by five percent by the end of 2010.
- Reduce the percentage of revoked supervised probation and parole cases by one percent for FY 08 and two percent for each year thereafter.
- Reduce juvenile recidivism by one percent in FY 08 and two percent for each of the next two years for juvenile offenders within the Department of Juvenile Justice.
- Increase the percentage of inmates at correctional facilities earning a Career Readiness Certificate by two percent by 2010.

GOAL 5

Ensure that urban infrastructure, transportation systems and the environment will support a prosperous future for current and future citizens.

Virginia's long history and rich culture is reflected in the development of its man-made and natural environments. As a result of this history, though, our urban areas need to repair aging public infrastructure to serve the needs of a dynamic economy and to minimize adverse impacts on the natural environment. Urban transportation systems are pivotal in promoting economically integrated regional communities. Investments from the Commonwealth are needed to support the basic underpinnings of our urban areas.

Actions

- Support significant urban transit improvements by lowering funding thresholds for transit improvement capital projects.
- Institute a street maintenance distribution formula to provide a better balance for the age, complexity and usage levels of urban streets.
- Increase local awareness of federal grants to fund retrofits of school busses to reduce health impacts to students and support providing state funding to urban areas to retrofit busses to reduce emissions and improve urban air quality.
- Fully implement Virginia's Clean Smokestack legislation passed by the 2006 General Assembly and other federal clean air requirements to improve air quality through reduced emissions.
- Support state funding for localities managing combined sewer overflows and sanitary sewer overflows.
- Provide incentives for clustering development in areas already served by infrastructure.
- Provide technical and financial assistance to assist with the assessment and redevelopment of brownfield sites.

Benchmarks

- Increase the number of busses retrofitted in urban areas.
- Improve air quality to allow removal of urban areas from air quality non-attainment lists.
- Increase the number of acres cleaned-up or requiring no further action as a result of voluntary remediation and/or federal facility closures so that redevelopment can occur on those sites.
- Increase the number of transit systems providing regional service to urban and surrounding jurisdictions by 2010.
- Increase the number of passenger trips/person on public transportation systems in urbanized areas from 23.29 passenger trips/person in FY 2006 to 23.52 and 23.75 and in FY2007 and FY2008, respectively.
- Increase the state's share of eligible transit operating costs from 19.7 percent (FY2007), lowest in 10 years, to 95 percent by 2010.
- Increase the state's share of transit capital costs from 22 percent (FY2007), lowest level on record, to 95 percent by 2010.



COMMONWEALTH of VIRGINIA

OFFICE OF THE GOVERNOR Executive Order 32 (2006)

URBAN POLICY TASK FORCE

Importance of the Issue

The Commonwealth has long faced the challenges of urbanization in a diverse range of policy areas, including but not limited to economic development, education, transportation, public safety, and human services. The challenges facing local governments and state government in these urban and urbanizing areas have required significant efforts on the part of appointed and elected governmental officials at all levels. In addition, the modernization, expansion, and diversity of new businesses has placed demands on governmental leaders at all levels to provide, in an efficient and timely manner, a full range of relevant and affordable public services. The 2003 final report of the Virginia Advisory Commission on Intergovernmental Relations on the Condition and Future of Virginia's Cities noted in its findings that "Virginia has never adopted a comprehensive policy to ensure the health and vitality of its local jurisdictions or metropolitan areas."

The *Code of Virginia* Section 2.2-206 requires creation of a cabinet-level task force on urban policy. This task force serves as the ideal vehicle for crafting a comprehensive urban policy for the Commonwealth.

Establishment of the Task Force

By virtue of the authority vested in me as Governor under Article V of the Constitution of Virginia and under the laws of the Commonwealth, including but not limited to Section 2.2-206 of the Code of Virginia, and subject always to my continuing and ultimate authority and responsibility to act in such matters, I hereby establish the Urban Policy Task Force. The Secretary of Commerce and Trade or his designee shall chair the task force. Other members shall consist of the Secretaries of Education, Health and Human Resources, Natural Resources, Public Safety, and Transportation or their designees. Additional members may be appointed to the task force at the Governor's discretion. The chair, with the cooperation, participation, and advice from the Senior Advisor for Urban Policy, shall establish sub-committees and prepare a work plan consistent with the requirements of the enabling legislation.

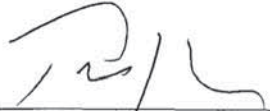
Responsibilities of the Task Force

The task force shall develop a comprehensive state urban policy that will give particular attention to actionable, top priorities and establish specific quantifiable benchmarks to address economic and social conditions and inequities within urban areas. It shall include but not be limited to establishing such methods, processes, and approaches as are necessary to recognize the importance of interdependence of localities within metropolitan areas and make recommendations to increase collaboration within all areas. All executive branch agencies shall cooperate fully as requested by the task force or its staff. The task force shall report annually by December 1 to the Governor, and include in their report the performance of each agency in meeting established benchmarks.

Effective Date of the Order

This Executive Order shall become effective upon its signing and shall remain in full force and effect until June 30, 2010, unless amended or rescinded by further executive order.

Given under my hand and under the Seal of the Commonwealth of Virginia this 28th day of July 2006.


Timothy M. Kaine, Governor

Attest:


Secretary of the Commonwealth

Urban Policy Task Force

Chairman, the Honorable Patrick O. Gottschalk
Secretary of Commerce and Trade

The Honorable Barry C. Bishop
Chairman, Norfolk School Board

Ms. Darlene L. Burcham
City Manager
City of Roanoke

Mr. B. David Canada
City Manager
City of Petersburg

The Honorable William D. Euille
Mayor, City of Alexandria

The Honorable Joe S. Frank
Mayor, City of Newport News

The Honorable John C. Hamlin
Member, Danville City Council

Mr. Warren D. Harris
Director of Economic Development
City of Chesapeake

The Honorable John J. McGlennon
Member, James City County Board of Supervisors

The Honorable Ilryong Moon,
Chairman, Fairfax County School Board

The Honorable Dave Norris
Member, Charlottesville City Council

The Honorable Meyera E. Oberndorf
Mayor, City of Virginia Beach

Mr. James B. Oliver, Jr.
City Manager
City of Portsmouth

The Honorable Harry J. Parrish, II
Vice Mayor, City of Manassas

The Honorable Philip E. Pate
Member, Winchester City Council

Mr. L. Kimball Payne, III
City Manager
City of Lynchburg

The Honorable Kimble Reynolds, Jr.
Mayor, City of Martinsville

The Honorable J. Walter Tejada
Member, Arlington County Board of Supervisors

The Honorable Frank J. Thornton
Member, Henrico County Board of Supervisors

The Honorable Rhet Tignor
Member, Hampton City Council

The Honorable Thomas J. Tomzak
Mayor, City of Fredericksburg

The Honorable Rita S. Wilson
Member, Staunton City Council

The Honorable Clarence T. Woody, Jr.
Sheriff, City of Richmond

The Honorable L. Preston Bryant, Jr.
Secretary of Natural Resources

The Honorable Pierce R. Homer
Secretary of Transportation

The Honorable John W. Marshall
Secretary of Public Safety

The Honorable Thomas R. Morris
Secretary of Education

The Honorable Marilyn B. Tavenner
Secretary of Health and Human Resources

Acknowledgements

Dr. Earl H. McClenney, Jr., Special Advisor to the Governor on urban policy

Dr. John V. Moeser, Professor Emeritus of Urban Studies and Planning, Virginia Commonwealth University and Visiting Fellow, University of Richmond Center for Civic Engagement

Mr. Jim Regimbal, Fiscal Analytics



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